

Message Text

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ACTION SS-15

INFO OCT-01 NEA-10 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 AGR-20 L-03

COME-00 CIAE-00 INR-10 NSAE-00 RSR-01 /115 W

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P R 211410Z AUG 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 4702

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LIMITED OFFICIAL USE JIDDA 3578

FOR ATTENTION OF UNDERSECRETARY CASEY

E.O. 11652: N/A

TAGS: EAGR, SA

SUBJECT: MINISTER OF COMMERCE REQUEST FOR USG ASSISTANCE
IN FOODGRAIN PURCHASE

REF: (A) JIDDA 898; (B) STATE 41265; (C) JIDDA 1115;
(D) STATE 53970; (E) JIDDA 3508

SUMMARY. FOR SECOND TIME WITHIN WEEK SAG MINISTER OF
COMMERCE HAS REQUESTED MEETING WITH EMBOFFS TO PRESS FOR
USG ASSISTANCE IN ARRANGING RICE AND WHEAT PURCHASES FROM
U.S. IMMEDIATE REQUIREMENT NOW SPELLED OUT AS 36,000
TONS RICE AND 36,000 TONS WHEAT FLOUR FOR DELIVERY OVER
NEXT SIX MONTHS. INDICATIONS ARE THAT SAG MAY BE SER-
IOUSLY CONCERNED ABOUT FAILURE OF INTERNATIONAL SUPPLY
AND MAY ATTACH CONSIDERABLE IMPORTANCE TO CONSTRUCTIVE
REPLY FROM US. ACTION REQUESTED: INSTRUCTIONS FOR
PRELIMINARY REPLY ASAP. END SUMMARY.

1. SAG MINISTER OF COMMERCE SHAIKH MOHAMMAD AL-AWADI
INITIALLY CONTACTED EMBASSY LAST MARCH TO EXPRESS OFFICIAL
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CONCERN ABOUT DIFFICULTIES BEING EXPERIENCED BY SAUDI

GRAIN IMPORTERS IN OBTAINING DELIVERY CONTRACTS FROM TRADITIONAL U.S. SUPPLIERS. HE REQUESTED OUR ASSISTANCE IN INSURING SUPPLY AND AVOIDING DANGER OF SAUDI IMPORTERS BEING BURNED BY SPECULATIVE SWINGS IN MARKET. (REFS A, B, C, D).

2. ON AUG 14 MINISTER AGAIN RAISED SUBJECT AND REQUESTED USG ASSISTANCE IN ARRANGING SALES OF RICE, WHEAT AND WHEAT FLOUR DIRECTLY TO SAUDI GOVERNMENT (REF E).

3. ON AUG 20 AL-AWADI ONCE MORE REQUESTED MEETING WITH ECONOMIC COUNSELOR AND COMMERCIAL ATTACHE TO SPELL OUT ADDITIONAL DETAILS OF (AND CHANGES IN) PROPOSAL. AS IT NOW STANDS REQUEST IS THAT THROUGH GOOD OFFICES OF USG AN INITIAL 36,000 TONS OF RICE AND 36,000 TONS OF WHEAT FLOUR BE SOLD TO SAG WITH CONTRACTS TO BE SIGNED WITHIN 90 DAYS FOR DELIVERY OVER NEXT SIX MONTHS. LONGER TERM ARRANGEMENTS WOULD BE DISCUSSED LATER.

4. WHILE REFERRING TO THIS AS "GOVERNMENT-TO-GOVERNMENT" DEAL, AL-AWADI APPEARED UNDERSTAND THAT PURCHASES WOULD BE MADE FROM PRIVATE DEALERS IN U.S., AND IN FACT REQUESTED THAT TRADITIONAL SUPPLY HOUSES TO SAUDI PRIVATE DEALERS BE THE SOURCE FOR SAG SUPPLY IF AT ALL POSSIBLE. ASSUME FAS CAN IDENTIFY THESE SUPPLIERS; IF NOT, A LIST CAN BE OBTAINED FROM AL-AWADI. MINISTER URGED THAT USG INFLUENCE BE BROUGHT TO BEAR TO ASSURE AVAILABILITY AND REASONABLE PRICES FOR BASIC SAUDI SUPPLIES. HE SAID THAT PAST U.S. GOVERNMENT EFFORTS TO HELP SAUDI ARABIA, NOTABLY DURING THE SECOND WORLD WAR, AND A SIMILAR U.S.G. NUDGING OF TRADITIONAL U.S. SUPPLIERS A YEAR AGO HAS LED SAG TO MAKE REQUEST AT THIS TIME. HE CITED ENORMOUS SALES TO USSR LAST YEAR, COMMENTING THAT SPILLAGES ALONE FROM SHIPMENTS TO RUSSIA WOULD FILL TOTAL SAUDI REQUIREMENTS; AND REITERATED THEME THAT "WE SELL OIL TO YOU WHEN YOU NEED IT."

5. IT APPEARS THAT SAG MAY INDEED BE SERIOUSLY WORRIED BY QUESTION OF GRAIN SUPPLY AND PRICING. MINISTER CLAIMED SUPPLIES FOR COMING NINETY DAYS ALREADY EN ROUTE. LIMITED OFFICIAL USE

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THE COMBINED 72,000 TONS REQUESTED REPRESENT ABOUT HALF THE ESTIMATED TOTAL CONSUMPTION IN THE KINGDOM FOR THE FOLLOWING SIX-MONTH PERIOD. THE MINISTER UNDER QUESTIONING SAID THAT PRICES HAVE LEAPED FROM \$4.60 TO \$9 PER CWT FOR FLOUR AND FROM \$10 TO \$24 PER CWT FOR RICE IN PAST YEAR. FROM AMOUNT OF PRESS DISCUSSION CONCERNING INFLATION IN FOOD COSTS TO SAUDI CONSUMER, SAG OBVIOUSLY UNDER PRESSURE DESPITE RECENT SUBSTANTIAL INCREASE IN

GOVERNMENT SALARIES. PRICE LEVELS OF WHEAT AS GIVEN IN RECENT USIS WIRELESS FILE (\$4.70 A BUSHEL WERE DISCUSSED WITH AL-AWADI, AND FURTHER INVESTIGATION MAY ALLAY SAG FEARS OF BEING OVER-CHARGED BY SPECULATORS. NEVERTHELESS SPECTRE OF COMPLETE FAILURE OF INTERNATIONAL MARKET SUPPLY REMAINS WITH THEM, AS WITNESSED BY EXTRAORDINARY REQUEST BY MINISTER FOR TWO MEETINGS WITHIN ONE WEEK.

6. EMBOFFS UNDERTOOK TO SEE WHAT COULD BE DONE. ALSO SUGGESTED THAT NEW SAUDI COMMERCIAL ATTACHE TO WASHINGTON, IBRAHIM F. KHOJA, WHO ATTENDED MEETING, TAKE UP MATTER DIRECTLY AT THE DEPARTMENT UPON HIS ARRIVAL CIRCA SEPTEMBER FIRST.

7. ACTION REQUESTED: INSTRUCTIONS FOR PRELIMINARY RESPONSE TO AL-AWADI AS SOON AS POSSIBLE. THERE IS NO NEED TO DWELL ON THE POLITICAL IMPORTANCE AND UTILITY OF A CONSTRUCTIVE REPLY; WISH TO STRESS THAT SAG WOULD PROBABLY FIND IT VERY HARD TO BELIEVE THAT USG COULD NOT COMPLY TO SOME EXTENT WITH REQUEST IF WE SO DESIRED. THACHER

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